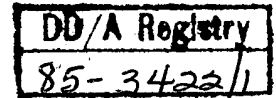


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FORM NO. 1 FEB 56 241 REPLACES FORM 36-8 WHICH MAY BE USED (47)

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15 OCT
1985

MEMORANDUM FOR: Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: Limitations on Inpatient Hospitalization
For the Agency's Health Plan

REFERENCE: Note to DDA frm ExDir, dtd 3 Oct 85,
Same Subject (DD/A 85-3422)

Jim,

1. This is written in response to your note of 3 October 1985 concerning your discussion with Stan Sporkin on health insurance coverage. I asked the Office of Personnel (OP) to look into the questions you raised and they have provided me with the following information:

"The Agency Association Benefit Plan (ABP) provides 365 days of continuous inpatient hospital coverage for each illness or injury, as do most Federal Employee Health Benefits Program plans. Claims are paid based on the reasonable and customary rates which have been established by the health insurance industry for the specific geographic area and the medical necessity of the hospitalization. For unusually long hospital stays, ABP periodically requests doctor and hospital reports to support the medical necessity for the continued confinement. If the reports support continued hospitalization, approval for confinement beyond the 365 days may be approved by the OP/ Insurance Operations Division. If these reports do not support the medical necessity for the confinement, ABP will advise the policyholder that benefits will be discontinued on a specific future date."

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2. The Director of Personnel adds that cost control has been a pressing necessity in all insurance plans not only our own. Requirement for a second opinion, specified number of days of hospitalization for a given illness, etc. are examples of measures introduced universally to control costs. These controls, plus the sharply reduced inflation rate, produced the surplus Stan is talking about. The Director of Personnel believes it would be quite unwise to reverse our field and liberalize benefits because of the temporary surplus situation. The medical industry can best be controlled if insurance plans place limits on reasonable costs. Our plan like others is trying to do that. The education of plan participants that is now going on subliminally (but apparently liminally in Stan's case) is a very beneficial thing and should be continued.

3. FYI, there have been new Medicare provisions put into effect which strictly adhere to length of stay guidelines and require all confinements be approved by a peer review organization. Possibly this is what Stan had in mind. ABP has no such requirement.

/s/ Harry

Harry E. Fitzwater

ADD/PERS/EBS,
Distribution:



(9 Oct 85)

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